

Investors look to Algeria

A report into the Arab-British Export Club on investing in Algeria took place at the Chamber on 3 July.

British investors are increasingly looking to do business in Algeria as the North African country forges closer links with the UK and as its economy continues to demonstrate robust growth. The recognition of the enormous opportunities for investment that the country is now offering was acknowledged by speakers and participants at the Arab-British Export.

The event exceeded expectations in terms of the number of attendees and the keen enthusiasm and thirst for more information about the country that were in evidence. Responses to the presentations were positive and there was a broad range of questions to points made by the speakers.

A distinguished platform of speakers organised by the Chamber in co-operation with the Algerian Embassy in London was headed by the President of the Algerian Chamber of Commerce and Industry, **Mr Brahim Bendjaber**, who was visiting London especially to take part in the export club.

Opening the proceedings, **Sir Roger Tomkys**, chairman of the Arab-British Chamber of Commerce, reminded everyone of the degree of Algerian-British involvement in the past, which indicated that connections between the two countries today fall short of the true potential. There were thus substantial opportunities for much more closer working.

Dynamic Transformation

On behalf of the H E Mohamed Dembri, Algerian Ambassador, **Mr Mourad Belmokhtar**, Economic Counsellor at the Algerian Embassy, thanked the Chamber for providing the opportunity to discuss the Algerian market with potential British investors and for all the efforts made to make the event a success.

Mr Belmokhtar briefly outlined the dynamic process of transformation that the Algerian economy was undergoing at present. New opportunities for foreign investment and joint enterprise are opening up as the country adopts free market reforms and now that protection for investors is enshrined in legislation, he said.

Changes have been adopted within the context of Algeria's preparation for entering the WTO and in addition the country has repaid its foreign debt, all welcome developments which have transformed Algeria into a pre-eminent place to invest in the region, Mr Belmokhtar stated.

Strategic Plan

He stressed that Algeria had drawn up a \$100 billion strategic programme for investment across a broad number of sectors, including construction and infrastructure; water resources and desalination; energy, including plans for new power stations; pharmaceuticals; food production; and transport. The Economic Counsellor characterised his country as like "an enormous building site" and

mentioned that the number of UK firms entering the market was increasing all the time.

The positive message was reinforced by Mr Bendjaber, who informed UK business audience that there was a lot of business to be done in Algeria and invited company representatives to visit the country for themselves.

Making the keynote address, the Algerian Chamber of Commerce president filled in some of the details of the market conditions which investors would require when considering their involvement. On the basis of recent high oil revenues, he said that the rate of growth has never been less than five per cent over the last few years, while inflation has never exceeded three per cent. Coupled with this, unemployment has been consistently going down.

Housing Sector

While the rate of population increase was falling, Mr Bendjaber said, house prices remained high and in this respect the country had a great demand for new financial mechanisms to provide loans and mortgages to local homebuyers. He identified this area as one opportunity for the investor.

As president of the chamber of commerce, he was representing the private sector which since the 1980s had been expanding, but was showing more dynamic growth in recent years to the extent that it now contributed 53 per cent of GDP.

Offering encouragement to investors, he described the country's ambitious spending plans on major construction projects where investors and partners were needed. These plans included a proposed new highway of 1200km linking the country's borders from east to west and a \$13bn budget for renovating the railway network which aims to see its tracks doubled by 2009.

With regards to house building, the country had plans as part of its social spending to create one million new houses and apartments to help meet the rising demand. In reality, however, Algeria needed some three million new homes.

Urgent investment was needed to be put into renovating the country's water distribution system which was originally built in pre-independence days. Plans in relation to the power sector involved bringing natural gas supplies to all the major cities.

Large Market

All the plans that Algeria was unveiling meant that there was ample opportunity for new investors from the UK to participate, the official stated. Mr Bendjaber continued by stating that the market was a large one with 34 million people 70 per cent of whom are under the age of 30. As a result consumer demand for goods and services was strong and imports had doubled over the past four years.

Mr Bendjaber concluded by describing some of the numerous tax and investment incentives offered to foreign companies coming into the market.

Agriculture and tourism both offered massive investment opportunities, he stated. The country has enormous potential to develop its tourism sector into a lucrative source of revenue in the longer term.

At present, as one recent report stated, the attractions of the country, such as the capital Algiers with its Parisian architectural style, remain virtually unknown overseas. In stark contrast to neighbouring Tunisia and Morocco, who each welcome around 6 million foreigners a year, Algeria hosts around a million visitors per annum, despite being a far wealthier and larger country; and these visitors are largely Algerians abroad visiting families.

Mr Bendjaber told the export club that Algeria had set a target of attracting one million non-Algerian tourist visitors, which he thought was an achievable aim given the assets of the long Mediterranean coastline, sands, mountains and impressive number of ancient Roman sites which were largely unknown outside the country.

There was thus a need to build more hotels to cater for the potential growth in visitors. At present Algiers had only six five-star hotels and had potential for fifty. With over 30 main cities and 22 universities, Algeria needed to expand its hotel provision throughout the country.

Agricultural Reforms

Algeria is demonstrating a need also to radically improve its agricultural sector, having, for example, to import 50 per cent of its present need for cereals when it enjoys extremely fertile lands and possesses ample water supplies for irrigation. Technology and know-how were required to upgrade the agricultural processes, improve efficiency and enhance productive capacity, the official said.

Noting the varied audience present, **Andrew Tesoriere**, the outgoing UK ambassador to Algeria, insisted that on the importance of seizing the opportunities of the moment given that UK competitors, such as China, India, the US and the new member states of the EU, were now moving in on Algeria in a big way. Indeed, the proliferation of international firms now operating in the country was truly striking, the UK ambassador stated.

Misconceptions

He sought to dispel some of the misconceptions about the country that still widely persist, stressing how much had changed since the mid-90s instability: Algeria was now firmly a stable country, with a government that was pursuing transparent and realistic policies to integrate in the global economy.

The country was enormously rich in resources which, apart from oil and gas, were substantially undeveloped, Mr Tesoriere said, urging investors to “think big” about the country, which was a far larger market than neighbouring Libya, currently receiving much attention.

The business scene was described as very lively and money can be made there in large amounts by the astute investor, the UK diplomat suggested.

One observation commonly made regarding Algeria concerned the lack of accurate and up-to-date market information with much that is produced only available in French, which is the main business language of the country. Fortunately this situation

was fast changing and offering practical advice in this regard, Mr Tesoriere referred companies to some excellent reports produced by KPMG, Oxford Business Group, the Economist Intelligence Unit, the Financial Times; these could be supplemented with services available from the UKTI, the chambers of commerce, the A-BCC and ANDI, the Algerian investment agency.

Other speakers included **Dr Mounir Kabban**, the Group President of UIB Holdings, who shared his experiences of working in the country for the past 20 years as an insurance broker. An enthusiastic advocate for trade with Algeria, he stressed that in addition to needing modern financial services, the priorities of the local business sector were for technology transfer. There was an obvious thirst for the latest methods of doing business in the country and the resources were available to upgrade and modernise.

Partnership with UK

Ali Benouzyd, Director General of Sonatrach Petroleum Corporation (London), representing the state oil and gas company, explained its international management strategy. Focusing on Sonatrach's expanding gas activities; he said partnership was a key element to the firm's success. The company was now a global player and was looking to extend its investment overseas, as it had begun to do in the UK.

Finally, **Michael Hodges** from HSBC, who was thanked for once again sponsoring the event, spoke of the changing perceptions of the banking system and explained why HSBC was now keen to become directly involved in the country and was embarking on plans to do so. Opportunities in Algeria were extensive because the large population was seriously "under banked" at present.

Once HSBC became involved it was felt that the confidence of foreign investors in the national banking sector would be boosted by the presence of such a major international player.

